

United States Nuclear Regulatory Commission
Complied with the Requirements of the Payment Integrity Information
Act of 2019 in Fiscal Year 2022

Audit Performed
by
CliftonLarsonAllen LLP

For
United States Nuclear Regulatory Commission
Office of the Inspector General

April 28, 2023



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**NRC Complied with the Requirements
of the Payment Integrity Information Act of 2019
in Fiscal Year 2022**

EXECUTIVE SUMMARY

WHY WE DID THIS AUDIT

CliftonLarsonAllen LLP (CLA) was engaged by the United States Nuclear Regulatory Commission (NRC) Office of the Inspector General (OIG) to conduct a performance audit of the NRC's compliance with the Payment Integrity Information Act of 2019 (PIIA), for fiscal year (FY) 2022 in accordance with Section VI.A. of the Office of Management and Budget (OMB) Memorandum M-21-19 (M-21-19), Appendix C to OMB Circular No. A-123 (A-123), *Requirements for Payment Integrity Improvement*, dated March 5, 2021.

As part of this audit, we were also engaged to evaluate the accuracy and completeness of the NRC's reporting and its performance in preventing, reducing, and recapturing improper payments (IPs) and unknown payments (UPs).

Our audit performance period was from January 2023 through April 2023. We conducted our audit in accordance with generally accepted government auditing standards.

WHAT WE CONCLUDED

We concluded that the NRC complied with the requirements of the PIIA for FY 2022. As required, the NRC published applicable payment integrity information with the annual financial statement and in the accompanying materials to its annual financial statements for the most recent FY in accordance with payment integrity information guidance provided in OMB Circular A-136, *Financial Reporting Requirements* (June 2022), posted the annual financial statement and accompanying materials required under the guidance of OMB on the agency website with a link to paymentaccuracy.gov, conducted an IP risk assessment for each program with annual outlays greater than \$10,000,000 at least once in the last three years, and adequately concluded whether the program is likely to make IPs and UPs above or below the statutory threshold. The remaining requirements are not applicable to the NRC.

We also found the NRC's reporting of and performance in reducing and recapturing IPs and UPs to be generally accurate and complete. The NRC concluded that payment recapture audits are not cost effective and notified OMB of its decision in 2014. Per OMB M-21-19 Section V.B.(2), if an agency determines that it would be unable to conduct a cost-effective recovery audit for certain programs, the analysis will need to be repeated only if circumstances change within the program that might make a recovery audit cost-effective. The NRC represented that circumstances have not changed in FY 2022 and therefore no analysis was necessary.

TABLE 1: PIIA Compliance Reporting Table

<i>Program Name</i>	Published payment integrity information with the annual financial statement	Posted the annual financial statement and accompanying materials on the agency website	Conducted IP risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years	Adequately concluded whether the program is likely to make IPs and UPs above or below the statutory threshold	Published IP and UP estimates for programs susceptible to significant IPs and UPs in the accompanying materials to the annual financial statement	Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement	Published IP and UP reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement	Demonstrated improvements to payment integrity or reached a tolerable IP and UP rate	Developed a plan to meet the IP and UP reduction target	Reported an IP and UP estimate of less than 10% for each program for which an estimate was published in the accompanying materials to the annual financial statement
Commercial Payments	Compliant	Compliant	Compliant	Compliant	N/A	N/A	N/A	N/A	N/A	N/A
Grant Payments	Compliant	Compliant	Compliant	Compliant	N/A	N/A	N/A	N/A	N/A	N/A
Employee Payments	Compliant	Compliant	Compliant	Compliant	N/A	N/A	N/A	N/A	N/A	N/A
Payroll	Compliant	Compliant	Compliant	Compliant	N/A	N/A	N/A	N/A	N/A	N/A
Purchase Cards	Compliant	Compliant	Compliant	Compliant	N/A	N/A	N/A	N/A	N/A	N/A
Travel Cards	Compliant	Compliant	Compliant	Compliant	N/A	N/A	N/A	N/A	N/A	N/A

Legend: The N/A in Table 1 means Not Applicable because the NRC did not have programs or activities determined to be susceptible to significant improper payments under OMB M-21-19 Section II.A.

In addition, for programs or activities that are deemed not susceptible to significant improper payments, the NRC is required to perform a risk assessment at least once every three years under OMB M-21-19 Section II.A.2. The NRC conducted its latest risk assessment in FY 2020. Accordingly, the NRC was not required to conduct a risk assessment in FY 2022.

The purpose of our work was not to provide an opinion on internal controls over improper payments or its reporting process. Therefore, we do not express such an opinion. We conducted this performance audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusion based on our audit objective. Our objective, scope, and methodology are described in Appendix A.

We appreciate the assistance provided by the NRC management and staff.

CliftonLarsonAllen LLP

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

Greenbelt, MD
April 28, 2023

PROGRAM BACKGROUND

The Payment Integrity Information Act (PIIA)¹ of 2019, which repealed the Improper Payments Information Act (IPIA)² of 2002, as amended by the Improper Payments Elimination and Recovery Act (IPERA)³ of 2010 and the Improper Payment Elimination and Recovery Improvement Act (IPERIA)⁴ of 2012, requires the Inspector General (IG) of each agency to determine whether the agency is in compliance with PIIA⁵ and submit a report on that determination. The current OMB implementation guidance, M-21-19 Appendix C to OMB Circular A-123, *Requirements for Payment Integrity Improvement*, was issued on March 5, 2021.

OMB M-21-19, Appendix C, Section I (1) describes an improper payment as any payment made in an incorrect amount or to the wrong recipient, and for instances where an agency is unable to determine whether the payment falls into the proper or improper category that payment should be considered an unknown payment.

We initiated our FY 2022 annual compliance review using a combination of the requirements in OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement*, (M-21-19, March 2021), OMB Circular A-136, *Financial Reporting Requirements*, (June 2022), and the Counsel of the Inspectors General on Integrity and Efficiency (CIGIE) Guidance for Payment Integrity Information Act Compliance Reviews, November 2022, (the Guide).

To be compliant with PIIA, the Guide states each agency must:

- 1a. Publish payment integrity information with the annual financial statement and in the accompanying materials to the annual financial statement for the most recent FY;
- 1b. Post the annual financial statements and accompanying materials on the agency website;
- 2a. Conduct IP risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years;
- 2b. Adequately conclude whether the program is likely to make IPs and UPs above or below the statutory threshold;⁶
3. Publish IP and UP estimates for programs susceptible to significant IPs and UPs in the accompanying materials to the annual financial statement;
4. Publish corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement;
- 5a. Publish an IP and UP reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement;
- 5b. Demonstrate improvements to payment integrity or reached a tolerable IP and UP rate;
- 5c. Develop a plan to meet the IP and UP reduction target; and
6. Report an IP and UP estimate of less than 10% for each program for which an estimate was published in the accompanying materials to the annual financial statement.

In the Payment Integrity Information Act Reporting Details section of the NRC's FY 2022 Agency Financial Report (AFR), the NRC reported FY 2022 PIIA information.

¹ Pub. Law No. 116-117, 134 Stat. 113 (2020)

² Pub. Law No. 107-300, 116 Stat. 2350 (2002)

³ Pub. Law No. 111-204, 124 Stat. 2224 (2010)

⁴ Pub. Law No. 112-248, 126 Stat. 2390 (2012)

⁵ Unless otherwise indicated, the term "PIIA" will imply IPERA and IPIA, as amended by PIIA

⁶ Programs are considered to be above the statutory threshold if they are reporting an annual IP and UP estimate that is either above \$10,000,000 and 1.5% of the program's total outlays or above \$100,000,000 regardless of their associated percentage of the program's total annual outlays that the estimated IP and UP represents.

RESULTS AND CONCLUSION

If an agency does not meet one or more of these requirements, then it is not compliant under PIIA. The NRC complied with the requirements of PIIA in accordance with OMB M-21-19. Table 2 below shows the OMB compliance requirements, the NRC compliance status, and the results of CLA's review.

Table 2: RESULTS OF NRC COMPLIANCE WITH THE REQUIREMENTS OF PIIA			
Compliance Reference	OMB Compliance Requirement	NRC Compliance Status	CLA Review
1a.	Published Payment Integrity information with the annual financial statement	Compliant	The AFR is published on the NRC website and includes PIIA information on pgs. 21 & 111.
1b.	Posted the annual financial statement and accompanying materials on the agency website	Compliant	The AFR is published on the NRC's website: https://www.nrc.gov/docs/ML2231/ML22318A209.pdf .
2a.	Conducted IP risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years	Compliant	The NRC has a risk assessment process in place for determining whether the NRC has programs or activities susceptible to significant improper payments. The NRC also has procedures in place to identify, estimate, and report on improper payments. The NRC determined their programs and activities were not susceptible to significant improper payments.
2b.	Adequately concluded whether the program is likely to make IPs and UPs above or below the statutory threshold	Compliant	The NRC has an adequate risk assessment program and the methodology used adequately concludes whether the program is likely to make IPs plus UPs above or below the statutory threshold.

3.	Published IP and UP estimates for programs susceptible to significant IPs and UPs in the accompanying materials to the annual financial statement	Not Required	This requirement was not applicable as none of the NRC's programs or activities were determined to be susceptible to significant improper payments. All programs were measured at low risk.
4.	Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement	Not Required	This requirement was not applicable as none of the NRC's programs or activities were determined to be susceptible to significant improper payments. No programs reached the statutory threshold.
5a.	Published an IP and UP reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement	Not Required	This requirement was not applicable as none of the NRC's programs or activities were determined to be susceptible to significant improper payments or above the statutory threshold.
5b.	Demonstrated improvements to payment integrity or reached a tolerable IP and UP rate	Not Required	This requirement was not applicable as none of the NRC's programs or activities were determined to be susceptible to significant improper payments.
5c.	Developed a plan to meet the IP and UP reduction target	Not Required	This requirement was not applicable as none of the NRC's programs or activities were determined to be susceptible to significant improper payments.

6.	Reported an IP and UP estimate of less than 10% for each program for which an estimate was published in the accompanying materials to the annual financial statement	Not Required	This requirement was not applicable as none of the NRC's programs or activities were determined to be susceptible to significant improper payments.
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APPENDIX A - OBJECTIVE, SCOPE, AND METHODOLOGY

Objective and Scope

Our objective was to determine if the NRC's IP reporting in its FY 2022 AFR was in compliance with PIIA and in accordance with OMB M-21-19 Section VI.A. As part of this audit, we also evaluated the accuracy and completeness of the NRC's reporting, and its performance in preventing, reducing, and recapturing improper payments.

Methodology

OMB M-21-19, Section VI., states that the agency is responsible for ensuring it has met the requirements to achieve compliance with PIIA and the OIG is responsible for evaluating the agency to determine whether the agency is compliant with PIIA. To accomplish our objective, we completed the following procedures for FY 2022:

- Reviewed all applicable laws, rules, and regulations pertaining to improper payments, as well as the NRC guidance, policies, and procedures.
- Obtained an understanding of the NRC internal controls over improper payments and evaluated the design and operating effectiveness of relevant payments, reduction, and recapture controls.
- Reviewed the payment integrity information section of the agency's FY 2022 AFR and accompanying material to assess the agency's compliance with PIIA and related OMB guidance.
- Evaluated agency efforts to prevent and reduce improper payments.
- Reviewed information on <https://paymentaccuracy.gov/> through the annual OMB payment accuracy data call. The information collected through the data calls and published on paymentaccuracy.gov is considered accompanying materials to the AFR.
- Leveraged any prior or on-going work in deciding the level of work to do for the PIIA compliance review.
- Assessed the overall presentation of the improper payments in the AFR for completeness as per Section II.4.5. of OMB Circular A-136, *Financial Reporting Requirements* (OMB A-136).
- Concluded whether the agency met each of the six PIIA compliance requirements.

In planning our work, we gained an understanding of the internal controls over the NRC's improper payments identification, reduction, recapture, and reporting processes. Our audit procedures included inquiries and reviews of the NRC Improper Payments Summary by Program and AFR, as per OMB Circular A-123, Appendix C. However, the purpose of our work was not to provide an opinion on internal controls over improper payments or its reporting process. Therefore, we do not express such an opinion.

APPENDIX B – ACRONYMS

AFR	Agency Financial Report
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CLA	CliftonLarsonAllen LLP
FY	Fiscal Year
IG	Inspector General
IP	Improper Payment
IPIA	Improper Payments Information Act of 2002
IPERA	Improper Payments Elimination and Recovery Act of 2010
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
NRC	Nuclear Regulatory Commission
OIG	Office of the Inspector General
OMB	Office of Management and Budget
PIIA	Payment Integrity Information Act of 2019
UP	Unknown Payment

APPENDIX C – REPORT DISTRIBUTION LIST

Executive Director for Operations

Chair

Commissioners

Chief Financial Officer

Committee on Homeland Security and Governmental Affairs of the Senate

Committee on Oversight and Reform of the House of Representatives

Comptroller General of the United States

Office of Management and Budget

House Committee on Appropriations

Senate Committee on Appropriations